

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1352-04  
Bill No.: Perfected HCS for HB 468  
Subject: Economic Development; Employees- Employers; Science and Technology;  
Boards, Commissions, Committees, Councils  
Type: Original  
Date: April 6, 2011

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Bill Summary: This proposal establishes the Missouri Science and Innovation  
Reinvestment Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
General Revenue	\$0	\$0	\$0 or (Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 20 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Conservation Fund	\$0	\$0	\$0 or (Unknown)
Park, Soil & Water Funds	\$0	\$0	\$0 or (Unknown)
School District Trust Fund	\$0	\$0	\$0 or (Unknown)
Missouri Science and Innovation Reinvestment Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>

\*Note amount of funding equals grants awarded and nets to zero.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### **Sections 196.1109-348.300 MOSIRA**

Officials at the **Department of Revenue (DOR)** assume no impact to DOR but this proposal would reduce total state revenue.

Officials at the **Department of Economic Development** assumed the following in calculating the state impact:

1. Relevant gross wage data was provided by MERIC.
2. Calculate the most immediate preceding 3 years of average annual increase in gross wages for MOSIRA NAICS as outlined in proposed legislation.
3. Assume that the average annual growth of gross wages for the past 3 years is a reasonable proxy of growth for the next 3 years into the future.
4. Apply the MOSIRA specified 6% "applicable percentage" for each year of growth (note that because the base year does not change each year the "applicable percentage" is applied to the total growth off the base year in each successive year, hence the larger number each year).
5. Estimated total fiscal impact is calculated (see attached worksheet):  
FY13 - \$4,458,161  
FY14 - \$8,916,322  
FY15 - \$13,374,483

MOSIRA would capture a small percentage of the new growth in gross wages generated by employees working in Missouri within designated science and innovation fields and reinvest it in science and innovation projects which demonstrate future job growth and increased economic activity.

Officials at the **Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to BAP. BAP has identified the following sections which may have budget or revenue implications:

196.1115.3 - Makes the MTC the administrative agent of the LSRB.

348.251.1 --- Definitions, in particular (3) "Base Year" is Fiscal Year 2011.

348.256.14 - The MTC may employ needed staff. Corporation employees shall be eligible to participate in MOSERS and MCHCP, but are not considered state employees. BAP assumes these costs will be borne by the MTC, by either the Missouri Science and Innovation Reinvestment Fund, or other funding available to MTC. BAP defers to DED /MTC for any estimated costs.

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ASSUMPTION (continued)

348.261(18-20) - MTC may expend monies in the science and innovation fund as necessary to fulfill its mission.

348.264 - The Missouri Technology Investment Fund is renamed the Missouri Science and Innovation Reinvestment Fund.

348.265.1 - At the end of each fiscal year, DED and DOR shall determine the growth in gross wages of Science and Innovation companies, as defined in this proposal by NAICS codes, as well as companies that DED and DOR may identify as qualifying organizations. They shall compare these wages to wages earned during the base year (FY 11), and the growth shall be reported to the MTC, Governor and General Assembly.

They shall compare these wages to wages earned during the base year (FY 11), and the growth shall be reported to the Governor and General Assembly.

The director of DOR shall multiply the growth by the applicable percentage, and transfer the calculated amount to from GR to MOSIRA. This transfer is subject to appropriation.

Based on data through 2009 supplied to BAP by DED, BAP estimates that wage growth in these industries averages \$200M per year, but could vary substantially.

BAP notes the base year is not adjusted for inflation in this proposal. Because there is no inflationary adjustment, this could result in the redirection of normal increases in income tax growth from GR into the new fund.

This version contains additional language stating the MOSIRA funds shall not be spent on research project that involves abortion services, human cloning, or prohibited human research. This language will have no additional impact on general and total state revenues.

Officials at the **Missouri Consolidated Health Care Plan (MCHCP)** assume the fiscal impact on MCHCP is the product of the predicted membership magnitude of Missouri Technology Corporation (MTC) and the estimated net payment per active employee per year. MCHCP assumes the health status of MTC subscribers and their number of dependents per subscriber is similar to MCHCP's existing active employee population. Net payments for active employee subscribers are approximately \$9,727 per subscriber per year based on 2011 estimates. Eventually, MTC would have retirees covered under their medical plan. Again, assuming the health status of MTC retirees and their number of dependents per subscriber is similar to MCHCP's existing retiree population; net payments for retiree subscribers are approximately \$7,776 per subscriber per year based on 2011 estimates.

Officials from the **Missouri State Employees Retirement System (MOSERS)** stated in order to participate in MOSERS, compensation must be paid by a "department" as defined in section 104.1003, RSMo (which includes an agency of the executive, legislative, or judicial branch and a

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ASSUMPTION (continued)

body corporate or politic whose employees are eligible for MOSERS' coverage by law). Language has been included in this proposal that would allow compensation paid by the corporation to constitute pay from a department for purposes of accruing benefits under MOSERS. In the event this legislation was enacted, the contribution rate applicable to MTC employees accruing service under MOSERS during the first year would be 13.97% of pay.

**Oversight** assumes that if the employee of the authority are allowed to join MOSERS, the contribution costs would be borne by the authority and not the State.

Officials at the **Joint Committee on Public Employee Retirement** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (10).

Officials at the **University of Missouri** assume this bill would have a positive fiscal impact on the University, particularly in the areas of technology transfer and research and economic development, however, the amount of the impact is unknown.

Officials at the **Department of Labor and Industrial Relations** and the **Office of the State Auditor** assume that there is no fiscal impact from this proposal.

**Oversight** assumes this proposal could have positive fiscal benefits for the state; however, Oversight considers these benefits to be indirect and have not reflected them on the fiscal note.

**Sections 135.950 - 135.969 Dormant Manufacturing**

Officials at the **Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to BAP. This proposal creates "dormant manufacturing plant zones" within the enhanced enterprise zone program. However, the authorization cap on the program remains \$24million. DED previously reported that \$17million was authorized under this program in FY10, but also projected \$24million in authorizations in FY11. To the extent this proposal increases the authorizations under this program, general and total state revenues may be reduced. This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

Officials at the **Department of Economic Development (DED)** assumes an unknown fiscal impact over \$100,000. DED anticipates an increase in the number of applications to review and process; however, the tax credit program cap remains unchanged. The proposed legislation also changes the carry-forward provision from ten years to five years. It also revises the calculation

ASSUMPTION (continued)

for the annual amount of credits allowed for an approved business enterprise. The proposed legislation also includes a new section that defines the process for “dormant manufacturing plant” projects and defines a “dormant manufacturing plant zone.” DED assumes there would be an offset of unknown positive economic benefits as a result of the program expansion, therefore the exact amount of the impact cannot be determined.

According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Enhanced Enterprise Zone tax credit program has had and projects the following activity;

	FY 2008	FY 2009	FY 2010	FY 2011 (projected)	FY 2012 (projected)
Certificates Issued (#)	18	31	52	65	75
Projects (#)	38	30	54	75	90
Amount Authorized	\$7,614,660	\$9,807,051	\$17,361,344	\$24,000,000	\$29,000,000
Amount Issued	\$1,199,842	\$2,262,259	\$2,916,392	\$6,300,000	\$7,300,000
Amount Redeemed	\$756,006	\$1,454,319	\$3,426,272	\$4,095,000	\$4,745,000

Officials at the **Department of Revenue (DOR)** assume DOR will need to make form changes. Additionally, the department and ITSD-DOR will need to make programming changes to various processing systems.

DOR’s Personal Tax Division believes that due to the provisions in section 135.969 that creates a refundable credit to be applied to Chapter 143 taxes that they will need one Revenue Processing Technician I per 6,000 credits claimed. DOR’s Corporate Tax Division will need one Revenue Processing Technician I per 6,000 credits claimed.

**Oversight** assumes it is unclear if the changes in this proposal would significantly increase the number of applicants for the tax credit or the number of tax credits issued. Therefore, Oversight assumes that DOR can handle any additional credits with existing staff. Should a significant number of credits be claimed as a direct result of this proposal then DOR could request the additional FTE through the appropriation process.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume that there is no fiscal impact from this proposal.

In response to similar legislation filed this year, HB 357, officials at the **State Tax Commission** assume that there is no fiscal impact from this proposal.

ASSUMPTION (continued)

**Oversight** assumes the changes to the existing programs in this proposal could have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposals and will not reflect them in the fiscal note.

**Section 144.810**

Officials from the **Department of Economic Development (DED)** assume this proposal would create a state and local sales and use tax exemption for data storage centers and server farm facilities. The data storage centers that seek a tax exemption would be required to submit a project plan to the DED, and DED would be responsible for certifying the projects in conjunction with the Department of Revenue (DOR). The proposed legislation would also require random audits to ensure compliance with the intent the data storage centers and server farm facilities indicated in their project plan.

DED is unable to determine the exact impact the proposed legislation will have on total state revenue and therefore would anticipate an unknown impact to total state revenues over \$100,000.

DED would be responsible for determining eligibility for the exemption and also for the compliance and auditing functions required by the proposed legislation and anticipates the need for one additional FTE. This FTE would be an Economic Development Incentive Specialist III and would be responsible for reviewing the project plan applications to make sure they meet the criteria of the program and conducting random audits to ensure compliance with the program.

DED submitted a cost estimate for the proposal including salaries, benefits, equipment, and expense totaling \$60,576 for FY 2012, \$65,674 for FY 2013, and \$66,406 for FY 2014.

**Oversight** assumes there would be a limited number of entities eligible for this sales and use tax exemption and that DED could absorb the additional workload with existing resources. If this proposal created an unanticipated increase in the DED workload, or if multiple proposals were implemented which created a substantial increase in the DED workload, resources could be requested through the budget process.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume that other than the potential impact on the revenue stream of state and local governments which our department has no means to calculate, this proposal would not impact DESE or local schools.

Officials from the **Department of Natural Resources (DNR)** assume this proposal would provide state and local sales and use tax exemptions for all machinery, equipment, computers, electrical energy, gas, water and other utilities including telecommunication services used in new

ASSUMPTION (continued)

data storage centers and server farm facilities. It would also provide a state and local sales and use tax exemption for purchases of tangible personal property for the construction, repair, or remodeling of a new data storage center or server farm facility.

The proposal would also create a state and local sales and use tax exemption for existing data storage centers for all machinery, equipment, computers, electrical energy, gas, water and other utilities including telecommunication service. The exemption would only apply to the increase in expenditures for utilities over the previous year's expenditures. The exemptions for tangible property would be available only on the increase in expenditures over the average of the previous three years expenditures.

Adding additional sales tax exemptions would decrease the amount of funding available in the Parks & Soils Sales Tax Funds. Exempting sales tax for the purposes described in this proposal would decrease the amount of funding available in the Parks & Soils Sales Tax Funds for long term operation of state parks and historic sites and assistance to agricultural landowners through voluntary programs.

DNR officials indicated an unknown loss of revenue to the state General Revenue Fund and to Parks, and Soils Sales Tax Funds.

Officials from the **Department of Revenue (DOR)** assume this proposal would create a sales and use tax exemption for data center operations. The proposal would reduce state revenues.

Beginning August 28, 2011, the following would be exempt from sales and use tax:

- \* all electrical energy, gas, water and other utilities including telecommunication and internet services used in a new data storage center
- \* All machinery, equipment and computers used in any new data storage center or server farm facility, and
- \* All sales at retail of tangible personal property and materials for constructing, repairing, or remodeling any new data storage center or server farm facility.

Entities would be required to submit a plan to the DED to determine eligibility. DED would certify the project to the DOR, and would issue an exemption certificate to the taxpayer.

Beginning August 28, 2011 an expanding data storage center could be exempt from sales and use tax with the same criteria as with a new data storage center.

ASSUMPTION (continued)

DED would conduct random audits, and DED and DOR would create rules to carry out the provisions of this legislation. DOR and ITSD-DOR would make programming changes to the sales tax processing system.

DOR assumes that Collections & Tax Assistance (CATA) would have additional contacts due to this exemption, and would require one additional FTE Revenue Processing Technician I (Range 10, Step L) per 24,000 additional contacts annually to the registration section, with CARES equipment and agent license, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 additional contacts annually to the tax assistance offices, with CARES equipment and agent license.

DOR also assumes that Sales Tax would require one additional FTE Revenue Processing Technician I (Range 10, Step L) for completion of amended returns and processing refunds

DOR officials submitted an estimate of the cost to implement this proposal including three additional FTE and the related fringe benefits, equipment, and expense totaling \$122,529 for FY 2012, \$121,284 for FY 2013, and \$122,558 for FY 2014.

**Oversight** assumes there would be a limited number of entities eligible for this sales and use tax exemption and that DOR could absorb the additional workload with existing resources. If this proposal created a significant unanticipated increase in the DOR workload, or if multiple such proposals were implemented, resources could be requested through the budget process.

In response to similar legislation filed this year, HB366, officials from the **Department of Conservation** stated that exempting data storage centers and server farms from sales tax would decrease sales tax collected and thus would decrease revenue to the Conservation Sales Tax Funds.

In response to similar legislation filed this year, HB 366, officials from **St. Louis County** stated that the loss would not be great, but they could not provide an estimate of that loss.

In response to similar legislation filed this year, HB 366, officials from the **City of Raytown** stated that they could not identify any fiscal impact to their organization.

In response to similar legislation filed this year, HB 366, officials from **Boone County** stated that it is impossible to determine the long-term loss of local tax revenues that would stem from the contemplated on-going exemptions for utilities, machinery and equipment, and personal property

ASSUMPTION (continued)

purchases without examining the details of a specific project, but the loss of local revenue would be substantial. The on-going exemptions for local tax revenues contemplated in the bill would amount to a substantial loss to the schools, libraries, fire districts, city and county governments.

In response to similar legislation filed this year, HB 366, officials from **Parkway School District** stated that this proposal could result in a reduction of revenue for their organization but could not provide an estimate of that anticipated loss.

Although officials from the **Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization. BAP officials also provided the following information.

The proposal would define the following data center projects;

- \* Expanding facility -- \$1 million investment within 12 months.
- \* New facility - a new facility that does not replace an existing facility, with investment of \$5 million over 36 months.

This proposal provides a sales tax exemption for certain inputs of production, utilities including internet services, and construction materials used by new data storage centers. This proposal will not impact current general and total state revenues, but future revenues may be forgone. This program may encourage other economic activity, but B&P does not have data to estimate the induced revenues. DED may have such an estimate.

This proposal provides a sales tax exemption for certain inputs of production, utilities, and construction materials used by expanding data storage centers, to the extent the amount of new inputs exceed current input levels. This proposal will not impact current general and total state revenues, but future revenues may be forgone. This program may encourage other economic activity, but B&P does not have data to estimate the induced revenues. DED may have such an estimate.

These firms may fall under NAICS 518210, 519130 or 517110. Officials at DED reported there were 815 MO firms in these NAICS codes in autumn of 2010.

**Oversight** notes that this proposal would require a minimum \$5 million investment in a new facility within thirty-six months, or a minimum \$1 million investment in an expanding facility within twelve months. The proposed project would require approval by the Department of Economic Development (DED) which would conditionally certify the project to the Department

ASSUMPTION (continued)

of Revenue (DOR). Upon completion of the project, DED would certify the project eligibility to DOR, and DOR would refund the sales tax paid on the project.

If the proposal became effective August 28, 2011, construction could begin late in FY 2012 and would likely not be completed until late in FY 2013. Refunds would not likely be certified and paid to project owners until FY 2014.

**Oversight** is not aware of any existing or planned projects which could qualify for the program, but if one new facility project was completed in time for a refund to be paid in FY 2014, the sales tax amounts could be computed as follows. For fiscal note purposes, Oversight assumes the entire \$5 million investment would qualify for the exemption.

Entity	Sales Tax Rate	Sales Tax
General Revenue Fund	3%	\$150,000
Conservation Commission Fund	1/8%	\$6,250
School District Trust Fund	1%	\$50,000
Parks, and Soil and Water Funds	1/10%	\$5,000
Local Governments	Average 2.5%	\$125,000

**Oversight** will indicate a revenue reduction in zero or Unknown for FY 2014 for the General Revenue Fund and for local governments, and zero or Unknown for other state funds which receive sales tax revenues.

Bill as a Whole

Officials at the **Department of Revenue** assume DOR's response to a proposal similar to or identical to this one in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the department's tax systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at \$48,964 which is 1,848 FTE hours.

**Oversight** assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this

ASSUMPTION (continued)

proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Officials at the **Office of the State Treasurer** assume that there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>GENERAL REVENUE FUND</b>			
<u>Revenue</u> - to general revenue from new taxes collected from new businesses	Unknown greater than \$1,000,000	Unknown greater than \$1,000,000	Unknown greater than \$1,000,000
<u>Transfer Out</u> - to MOSIRA Fund of the taxes from new employees in new businesses (MOSIRA)	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)
<u>Revenue reduction</u> - sales tax exemption	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0 or (Unknown)</b></u>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction</u> - sales tax exemption	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0 or (Unknown)</b></u>

**PARKS, SOIL AND WATER FUNDS**

<u>Revenue reduction</u> - sales tax exemption	<u>\$0</u>	<u>\$0</u>	<u>\$0 or</u> <u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON  
 PARKS, SOIL AND WATER FUNDS**

<u>\$0</u>	<u>\$0</u>	<u>\$0 or</u> <u>(Unknown)</u>
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**SCHOOL DISTRICT TRUST FUND**

<u>Revenue reduction</u> - sales tax exemption	<u>\$0</u>	<u>\$0</u>	<u>\$0 or</u> <u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON  
 SCHOOL DISTRICT TRUST FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0 or</u> <u>(Unknown)</u>
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**MISSOURI SCIENCE AND  
 INNOVATION REINVESTMENT  
 FUND**

<u>Transfer In</u> - taxes from new employees in the new businesses	Unknown greater than \$1,000,000	Unknown greater than \$1,000,000	Unknown greater than \$1,000,000
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<u>Costs</u> - expenditures made by the MTC	<u>(Unknown</u> <u>greater than</u> <u>\$1,000,000)</u>	<u>(Unknown</u> <u>greater than</u> <u>\$1,000,000)</u>	<u>(Unknown</u> <u>greater than</u> <u>\$1,000,000)</u>
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**ESTIMATED NET EFFECT TO THE  
 MISSOURI SCIENCE AND  
 INNOVATION REINVESTMENT  
 FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
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**LOCAL GOVERNMENTS**

<u>Revenue reduction</u> - sales tax exemption	<u>\$0</u>	<u>\$0</u>	<u>\$0 or</u> <u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON  
LOCAL GOVERNMENTS**

<u>\$0</u>	<u>\$0</u>	<u>\$0 or</u> <u>(Unknown)</u>
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FISCAL IMPACT - Small Business

Small businesses that qualify for the program established with this proposal could be positively impacted as a result of this proposal.

FISCAL DESCRIPTION

This proposal establishes the Missouri Science and Innovation Reinvestment Act. This substitute changes the laws regarding economic incentives for job development, retention, and training and establishes the Missouri Science and Innovation Reinvestment Act.

**MUNICIPAL TECHNOLOGY BUSINESS FACILITY PROJECTS (Section 67.2050, RSMo)**

The substitute allows the governing body of any county, city, incorporated town, or village to engage in projects involving a technology business facility used for wired telecommunications; data processing, hosting, and related services; or Internet publishing and broadcasting and web search portals. The governing body is authorized to:

- (1) Carry out technology business facility projects for economic development;
- (2) Accept grants from the federal and state governments for the project's purposes and enter into an agreement which may be required by the grantor if the agreement is not contrary to Missouri laws;
- (3) Receive any gifts and donations from private sources to be used for the project's purposes; and
- (4) Enter into loan agreements, sell, lease, or mortgage to individuals, partnerships, or corporations any component of a technology business facility project. Transactions involving the lease or rental of any project component are exempt from local sales taxes, and leasehold interests will not be subject to property taxes. If an individual or corporation transfers property for a project free of charge to the governing body, it will retain the right to have the governing

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FISCAL DESCRIPTION (continued)

body transfer the donated property back at no cost.

ENHANCED ENTERPRISE ZONES (Sections 135.950 - 135.969) The substitute:

(1) Defines “dormant manufacturing plant” as any parcel of real property that encompasses at least 250 acres that, within six years of the date of the notice of intent, was predominantly used for manufacturing or assembly and employed not less than 3,000 persons but has since ceased all activity, has been found by an ordinance adopted by the governing body to be a blighted area and designated for redevelopment, and is located in certain census tracts defined by poverty rates or income or is involved in certain federal agency funding of at least \$1 million to facilitate redevelopment of the property;

(2) Defines “dormant manufacturing plant zone” as a dormant manufacturing plant, all real property which is immediately contiguous to the plant, and all real property within 6,000 feet of the boundary of the plant;

(3) Reduces from 10 to five the number of years a taxpayer can receive a tax credit for establishing a new business facility in an enhanced enterprise zone;

(4) Changes the tax credit receivable by a taxpayer establishing a new business facility in an enhanced enterprise zone to the lesser of the annual amount of projected state economic benefit for the enhanced business enterprise as determined by the Department of Economic Development or an annual amount up to 2.5% of the gross wages of each new business facility employee plus up to 0.5% of the investment made in the new business facility within an enhanced enterprise zone. Currently, the tax credit is equal to the lesser of the annual amount of projected state economic benefit for the enhanced business enterprise as determined by the department or the sum of credits calculated at \$400 for each new business facility employee employed within an enhanced enterprise zone, \$400 for each new business facility employee who is a resident of the enhanced enterprise zone, and \$400 for each new business facility employee who receives a wage that exceeds the average county wage in the county in which the facility is located;

(5) Authorizes an annual tax credit for up to five years if approved by the department to a taxpayer who establishes a new business facility in a dormant manufacturing plant zone approved or designated as an enhanced enterprise zone. A taxpayer cannot receive multiple five-year periods for subsequent expansions at the same facility. A taxpayer who receives this tax credit cannot also receive tax credits or other benefits for the same new jobs from the new or expanded business facilities, enterprise zones, relocating a business to a distressed community, enhanced enterprise zones, or Missouri Quality Jobs programs. To receive the tax credit, a taxpayer must employ at least two new individuals at the new business facility or invest at least \$100,000 during the taxable year in which the credit is claimed. The tax credit will be equal to the lesser of the annual amount of projected state economic benefit for the enhanced business enterprise as determined by the department or an annual amount equal to 2.5% of the gross wages of each new business facility employee plus 0.5% of the investment made in the new business facility within

FISCAL DESCRIPTION (continued)

an enhanced enterprise zone. Tax credits for new business facilities in dormant manufacturing plant zones approved or designated as an enhanced enterprise zone are to be included in the \$24 million annual cap on tax credits authorized for all enhanced enterprise zones;

(6) Allows a taxpayer to receive the tax credit for an existing facility which expands if he or she invests at least \$1 million during the applicable tax period and hires at least two additional employees during the tax year in which the credit is claimed;

(7) Specifies how the number of new business facility employees during any taxable year must be determined or adjusted;

(8) Specifies how a taxpayer's investment in the new business facility or in the expansion of a business facility treated as a new business facility or in a replacement business facility must be determined or adjusted;

(9) Requires the credits to be claimed for the taxable year in which commencement of commercial operations occurs at the new business facility and for each of the following five years in which the credit is issued. The credits are refundable and transferable but cannot be carried forward; and

(10) Requires the Department of Economic Development, prior to the issuance of any tax credits, to verify through the Department of Revenue or any other state department that the applicant does not owe any delinquent taxes, interest or penalties on any taxes, or any delinquent fees or assessments. A taxpayer who is delinquent after June 15 but before July 1 of any year will be given 30 days to satisfy the delinquency. Any available credits will be applied to delinquencies, and any remaining credits will be issued to the applicant subject to the restrictions of other provisions of law.

**DATA STORAGE CENTERS AND SERVER FARM FACILITIES (Section 144.810)**

Beginning August 28, 2011, the substitute authorizes a state and local sales and use tax exemption on items related to new data storage centers and server farm facilities including: (a) All electrical energy, gas, water, and other utilities including telecommunications and Internet services; (b) All machinery, equipment, and computers; and (c) All retail sales of tangible personal property and materials for the purposes of constructing, repairing, or remodeling a new data storage center and server farm facility. Any new data storage center and server farm facility project wishing to utilize these exemptions must submit a project plan to the Department of Economic Development which identifies each known constructing and operating taxpayer for the project. The department must determine whether the project is eligible for exemption by verifying that a new facility will invest at least \$5 million within 36 consecutive months. The departments of Economic Development and Revenue must cooperate in conducting random audits to make certain that the intent of these provisions is followed.

Beginning August 28, 2011, the substitute authorizes a state and local sales tax exemption on

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FISCAL DESCRIPTION (continued)

items related to expanding data storage centers and server farm facilities including:

- (a) All electrical energy, gas, water, and other utilities including telecommunications and Internet services which, on an annual basis, exceed the amount used in the existing or the replaced facility prior to the expansion;
- (b) All machinery, equipment, and computers if the cost, on an annual basis, exceeds the average of the previous three years' expenditures used in the existing or the replaced facility prior to the expansion; and
- (c) All retail sales of tangible personal property and materials for the purposes of constructing, repairing, or remodeling an expanding data storage center and server farm facility. Any expanding data storage center and server farm facility project wishing to utilize these exemptions must submit an expanding project plan to the Department of Economic Development which identifies each known constructing and operating taxpayer. The department must determine whether the project is eligible for exemption by verifying that an expanding facility will invest at least \$1 million within 12 consecutive months. The departments of Economic Development and Revenue must conduct random audits to make certain that the intent of these provisions is followed.

MISSOURI SCIENCE AND INNOVATION REINVESTMENT ACT (Sections 196.1109, 196.1115, and 348.250 - 348.300)

The substitute establishes the Missouri Science and Innovation Reinvestment Act. In its main provisions, the substitute:

- (1) Adds to the list of purposes of the Missouri Technology Corporation and provides for its perpetual existence;
- (2) Requires the advice and consent of the Senate for the gubernatorial appointments to the corporation's board of directors;
- (3) Changes the mandatory annual audit of the corporation by the State Auditor to an audit at the discretion of the State Auditor;
- (4) Specifies the terms and requirements for various designated and appointed board members; how members may be removed from the board; meeting requirements and the operation of the board; and board powers, including employment and benefits for the president and other corporation employees;
- (5) Requires the corporation to submit an annual report by January 1 to the Governor and General Assembly on the distribution of funds during the prior year, the growth of science and innovation research and industry in the state, and financial or performance audit recommendations for additional necessary legislation. Copies of the financial and performance evaluations must be given to the State Auditor. Currently, the corporation must submit an annual report by November 1 on the corporation's structure, operation, and financial status to the Governor and General

FISCAL DESCRIPTION (continued)

Assembly;

(6) Specifies that the corporation will be exempt from certain property, income, and sales and use taxes;

(7) Requires the board to adopt and maintain a conflict of interest policy and to establish executive and audit committees and a research alliance and specifies the duties and powers of each committee and the alliance;

(8) Adds additional provisions for closing certain meetings and records of the corporation board and committees of the board under the Open Meetings and Records Law, commonly known as the Sunshine Law;

(9) Renames the Missouri Technology Investment Fund as the Missouri Science and Innovation Reinvestment Fund and specifies that it will be funded, in part, by moneys appropriated by the General Assembly based on a certain percentage of the increase in gross wages of science and innovation employees over base year gross wages as defined in the substitute. The Director of the Department of Economic Development, with assistance from the Director of the Department of Revenue, must establish the base year gross wages and determine the annual increase of science and innovation employees' gross wages that exceeds the base year gross wages. This difference is multiplied by the applicable percentage to determine the amount that the Director of the Department of Revenue must transfer to the fund for each of the 25 funding years beginning July 1, 2011;

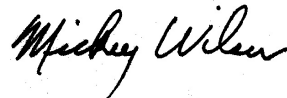
(10) Prohibits the board from selling the corporation or substantially all of its assets or merging the corporation with another entity without prior authorization by the General Assembly and specifies that the corporation will not terminate before the satisfaction of all outstanding financial obligations; and

(11) Requires any contract between the corporation and a not-for-profit organization for the operation of an innovation center to provide at least a 100% match by the nonprofit organization of any funds received by it from the corporation.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Boone County  
City of Raytown  
Department of Economic Development  
Department of Elementary and Secondary Education  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Labor and Industrial Relations  
Department of Revenue  
Joint Committee on Public Employee Retirement  
Missouri Consolidated Health Care Plan  
Missouri Department of Conservation  
Missouri State Employees' Retirement System  
Office of Administration  
Office of the State Treasurer  
Office of the State Auditor  
Office of the State Treasurer  
Parkway School District  
State Tax Commission  
St. Louis County  
University of Missouri



Mickey Wilson, CPA  
Director  
April 6, 2011